



LAURA N. CHICK  
INSPECTOR GENERAL

STATE OF CALIFORNIA  
**OFFICE OF THE INSPECTOR GENERAL**  
AMERICAN RECOVERY ACT FUNDS

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August 26, 2010

The Honorable Arnold Schwarzenegger  
State Capitol  
Sacramento, California 95814

Dear Governor Schwarzenegger:

The State Department of Developmental Services and its 21 non-profit regional centers are responsible for very important work...that of providing a wide range of much needed services to the developmentally disabled communities. The staff who do this work are dedicated and caring experts.

My auditors recently reviewed the South Central Los Angeles and Frank D. Lanterman Regional Centers which received \$1.9 million each in Federal Recovery Act funds.

At the South Central Regional Center we found that nearly half of the parental contracts we tested had lapsed. That means there was no current written parental consent to provide services, which opens the regional center—and the state—to possible litigation.

Further, five of the six contractors providing services for South Central did not have sufficient documentation of attendance to back-up their claims. This critical information is needed to ensure that the public is paying for services that are actually being provided.

While Developmental Services and the two regional centers are already hard at work correcting the problems that we found, this Department has had challenges providing effective oversight of the money they distribute. Earlier this week the Bureau of State Audits released a report of Developmental Services which detailed systemic problems, examples of which we also found.

The Recovery Act itself is purposefully aiming, through its increased transparency requirements, to expose flaws in government operations so that government can improve not just how we spend stimulus dollars, but how we spend all taxpayer dollars.

The critical question is: Why in 2010 are we still finding these problems? It should not take an additional audit to find that basic procedures, and requirements, that are in place for very good reasons are not being followed. Certainly there are enough lessons learned by watching the flow of scandals in the public and private arenas to know that it is basic common sense to put controls in place to prevent fraud and waste.

What is frustrating is that too often in government we are learning the same lessons over and over again. Improvements might be made but often they do not endure. The State Department of Developmental Services needs to make sure that once changes are made that they do not take their eye off the ball. Reforms are only as good as management's constant focus and the ironclad will to enforce them.

Sincerely,

*Original signed by:*

LAURA N. CHICK  
California Inspector General



LAURA N. CHICK  
INSPECTOR GENERAL

STATE OF CALIFORNIA  
**OFFICE OF THE INSPECTOR GENERAL**  
AMERICAN RECOVERY ACT FUNDS

Transmitted via e-mail

August 26, 2010

Ms. Terri Delgadillo, Director  
Department of Developmental Services  
1600 9<sup>th</sup> Street, Room 240  
Sacramento, CA 95814

Dear Ms. Delgadillo:

**Final Review Report—Department of Developmental Services**

The State of California, Office of the Inspector General (IG), American Recovery and Reinvestment Act Funds (ARRA) reviewed the Department of Developmental Services' (DDS) ARRA funds received for the Individuals with Disabilities Education Act, Part C (IDEA). The DDS awarded IDEA funding to the South Central Los Angeles (South Central) and the Frank D. Lanterman (Lanterman) Regional Centers to provide services for the program in their respective areas. While South Central and Lanterman administer the program regionally, DDS is responsible for ensuring all ARRA funds are spent appropriately and in accordance with applicable laws and regulations.

The ARRA funds for the IDEA program were expended on five services: Infant Development Program, Speech Therapy, Occupational Therapy, Physical Therapy, and Specialized Therapeutic Services. These services were provided through contracts with nonprofit regional centers.

**Scope**

The DDS was awarded ARRA funds totaling \$59,511,391 for the IDEA program. These funds have been distributed to developmental centers, community facilities and through contracts with 21 non-profit regional centers. As of our review, DDS expended \$57,229,540 of the awarded ARRA funds.

The IG reviewed the IDEA funds received and expended by the South Central and Lanterman Regional Centers (\$1.9 million each). The review for South Central included the period April 1, 2009 through April 29, 2010. The review for Lanterman included the period April 1, 2009 through December 31, 2009. The reviews' objectives were to determine if the regional centers properly accounted for and used ARRA funds in accordance with ARRA requirements, applicable laws, and regulations.

Management at DDS and the regional centers are responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and program requirements, as well as evaluating the efficiency and effectiveness of the program. Unless identified during our review of ARRA funds, we did not assess the efficiency or effectiveness of program operations.

## Methodology

Reviews were conducted of the regional centers' accounting records and supporting documents to determine if ARRA funds were properly accounted for and expended. Costs allocated to various regional centers' programs and the allocation methods were reviewed for propriety and reasonableness. To determine whether revenues and expenditures complied with applicable laws and regulations, the following procedures were performed:

- Interviewed key personnel and reviewed applicable policies and procedures to gain an understanding of program-related internal controls.
- Reviewed contracts between DDS and the two regional centers.
- Reviewed 145 South Central and 105 Lanterman participant files.
- Reviewed contracts between the two regional centers and selected vendors.
- Selected a sample of reported expenditures to determine whether they were:
  - Allowable
  - Program related
  - Incurred within the reporting period
  - Adequately supported
  - Properly recorded
- Performed site visits of six vendors for each regional center to determine if the vendors had appropriate and adequate supporting documentation for claims.

## Summary of Review

The regional center reviews identified several issues which indicate a weakness in controls designed to ensure appropriate services and expenditures. Specifically, as detailed below, the regional centers provided services under expired parental contracts and service orders; in some instances, vendor services exceeded the level provided for in the parental contract; vendors of South Central did not maintain sufficient documentation of claims paid; and an incorrect rate was paid to a South Central vendor from October 2005 through May of 2010, resulting in an overpayment of ARRA funds.

## Review Findings

### **Weakness in Controls to Ensure Appropriate Services and Expenditures**

The controls over the processes to ensure that services and expenditures are supported and appropriate are inadequate. This weakness in controls, evidenced by the following issues, has resulted in the regional centers being out of compliance with laws and regulations and increases the opportunity for and instances of overstated vendor claims.

- **Expired Parent Contracts:** We identified expired parent contracts in 48 percent of South Central and 7 percent of Lanterman files tested. Services provided to children, without documentation of parental consent, increases the risk of liability for both the state and the regional centers.

United States Code (USC), Title 20, §1436 (e) and California Code of Regulations (CCR), Title 17, §52102 (j) both require written parental consent as contained in the parent contract, prior to the provision of services. The CCR, Title 17, §52106 (b)(6) requires that a contract between parents and regional centers include a statement of specific early intervention services to be provided.

Expired Purchase Orders: Our review of South Central payments to vendors disclosed that 18 percent of the payments to vendors were not supported by valid purchase orders. The payment for services under expired purchase orders could put ARRA funds at risk for use for unauthorized services.

The CCR, Title 17, §50612 (a)(b) and (c) specify that except for emergency services and certain specified other conditions, a purchase of service authorization shall be completed in advance of the provision of services.

- **Service and Payments in Excess of Authorized Vendor Services:** The number of services billed, at both South Central and Lanterman exceeded the number of services authorized in the parent contracts. Of the claims tested, 14 percent and 18 percent at South Central and Lanterman, respectively, included charges for additional vendor services that were not specified by the parent contract.

For example, the parent contract provides for in-home infant development services of one hour per session, twice a week, not to exceed ten hours per month. The purchase order, however, does not include the language of one hour per session, twice per week, stating only that services were not to exceed ten hours per month. In instances in which the month ends mid-week, the purchase order would allow for four hours of services for the week (two hours billed to the first month and two billed to the second). This contradicts the parental contract, which anticipates two hours of services for the week. This situation, combined with other recordkeeping weaknesses, would allow for vendors to overstate services and billings to the regional center.

- **Unsupported Service Claims:** IG staff reviewed six South Central vendors, to verify attendance documentation for claims submitted to the regional centers. Five of the six vendors reviewed did not have sufficient documentation to support the number of consumer services claimed for payment.

The CCR, Title 17, §54326 (a)(3) and (a)(10) state that vendors must maintain complete service records supporting all billing/invoicing for each regional center consumer in the program, and should bill only for services which are actually provided to the consumers, that have been authorized by the referring regional center.

- **Incorrect Rate Payments to a Vendor:** Inadequate review of vendor invoices at South Central resulted in overpayments of \$18.00 per hour to one vendor from October 2005 through May 2010. This resulted in ARRA fund overpayment in the months of April, May, July, and August 2009.

### **Insufficient Oversight of Regional Centers**

The Individuals with Disabilities Educational Improvement Act of 2004, Title I, Part C, §637 (b)(6) requires that the state provide satisfactory assurance that fiscal controls and fund accounting procedures will be adopted as necessary to ensure proper disbursement of and accounting for federal funds paid for the IDEA program to the state. Our review identified control weaknesses at the regional centers that should be addressed by DDS to ensure proper expenditure of ARRA funding. Specifically:

- To ensure accountability and transparency of ARRA funds, DDS should require the regional centers to review supporting documentation for vendor service claims on a risk-based approach, to address the risk of overpayment due to errors, overstated service levels, unsupported claims, and expired authorizations.

- Because payment is made by the regional centers based on vendor certification of services, DDS should require the regional centers to validate vendor certifications on a sample basis to ensure that services and service levels are substantiated and authorized.
- The DDS should require the regional centers to implement controls to ensure that correct rates are applied to all vendor payments.

### Conclusion

The issues identified indicate insufficient oversight and fiscal monitoring by the regional centers, and present the opportunity for overstatement of vendor claims. The DDS should work with the regional centers to ensure that services and expenditures are authorized, supported, and appropriate. Furthermore, DDS should ensure that excessive payments made to the South Central vendor are fully recaptured, and that the plan for ARRA fund recapture is reported in its response to this draft.

We appreciate the assistance and cooperation of the Department of Developmental Services, Frank D. Lanterman Regional Center, and South Central Los Angeles Regional Center. If you have any questions regarding this report, please contact, Penny Krueger, Supervisor, at (916) 322-0553.

Sincerely,



LAURA N. CHICK  
California Inspector General  
American Recovery and Reinvestment Act Funds

cc: Mr. Mark Hutchinson, Chief Deputy Director, Department of Developmental Services  
Ms. Diane Campbell-Anand, Executive Director, Frank D. Lanterman Regional Center  
Mr. Patrick Aulicino, Associate Director, Frank D. Lanterman Regional Center  
Mr. Dexter Henderson, Executive Director, South Central Los Angeles Regional Center  
Mr. Roy Doronila, Chief Financial Officer, South Central Los Angeles Regional Center



**DEPARTMENT OF DEVELOPMENTAL SERVICES**

1600 NINTH STREET, Room 240, MS 2-13  
SACRAMENTO, CA 95814  
TDD 654-2054 (For the Hearing Impaired)  
(916) 654-1897



August 13, 2010

**SENT VIA EMAIL**

Ms. Laura N. Chick  
California Inspector General  
American Recovery and Reinvestment Act Funds  
Office of the Inspector General  
1400 10th Street, Suite 100  
Sacramento, CA 95814

Dear Ms. Chick:

Thank you for the opportunity to respond to your August 2, 2010, draft review report for the Department of Developmental Services' (Department or DDS) American Recovery and Reinvestment Act (ARRA) funds received under the Individuals with Disabilities Education Act, Part C, known in California as the Early Start program. This program has been administered by the Department through California's 21 private, not-for-profit community-based regional centers since 1993. The ARRA grant provided supplemental funding to the existing Early Start program to address program growth. It did not change the Early Start program objectives or funding mechanisms for the services provided under this program.

The Early Start program serves infants and toddlers, from birth to 36 months of age, with developmental delays or who have an established risk that could result in a developmental disability. The program provides early intervention services to infants and toddlers and their families through a coordinated family-centered system of services. Early Start is based on research demonstrating that quick and decisive intervention can ameliorate a child's developmental delay. To ensure timely intervention, the federal government requires states to ensure services are provided expeditiously and gaps in services do not occur to the detriment of the consumer's development. Indeed, program success is evidenced by the fact that only 23 percent of infants and toddlers in the Early Start program transition into the Department's Lanterman Developmental Disabilities Services Act (Lanterman Act) program that provides ongoing and life-long services.

Under the Early Start program, the Department provided ARRA funds to the South Central Los Angeles Regional Center (SCLARC) and the Frank D. Lanterman Regional Center (FDLRC) for services in their respective areas. These two regional centers were

**"Building Partnerships, Supporting Choices"**



Ms. Laura N. Chick, California Inspector General  
August 13, 2010  
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the focus of your audit and their response is appended to this letter. Please note that the Department did not provide Early Start ARRA funds to developmental centers or community facilities, as indicated on Page 1 of the draft report.

## **OVERVIEW OF THE EARLY START PROGRAM**

### Role of the Regional Center

Regional centers are the single-point-of-entry into the service system for Early Start infants and toddlers with developmental delays or disabilities. Regional centers provide intake, evaluation, and assessment to determine eligibility and service needs. They also provide, purchase, and/or arrange Early Start services based on the unique needs of the child and family. Further, regional centers provide service coordination, advocacy, information and referral, and an array of other services to eligible infants and toddlers and their families. Early Start services that are not available through other publicly-funded agencies are generally purchased from community service providers “vendored” by the regional center.

### Role of the Individualized Family Service Plan

Services are determined and documented for each child according to specific federal and state provisions designed to address the ever-changing needs of infants and toddlers, and to ensure services accommodate individual needs as each child progresses. This individualized approach is a key principle of the Early Start program.

The planning record that serves to document needs and services is the Individualized Family Service Plan (IFSP), which is developed by a team consisting of the regional center service coordinator, the parents, and service providers (as appropriate). The IFSP team reviews the needs of the family and child, develops outcomes based on those needs, and determines the services to meet outcomes. The team documents in the IFSP the developmental levels and the needs of the child; the developmental outcomes that the IFSP team hopes the child will achieve; types of services; service duration, location, schedule, and frequency; and several other components (California Code of Regulations [CCR] Title 17, § 52106). When the IFSP is initially developed, the parent must sign the IFSP to indicate consent for regional center services (CCR, Title 17, §§ 52102, Subdivision [i], 52162, Subdivision [a]).

### Role of Purchase of Service Authorization

The services and supports listed in the IFSP that are not available from the family or other generic resources, are purchased by the regional center. A purchase-of-service (POS) authorization is the administrative mechanism used to effectuate the purchase of regional center funded services. The POS authorization formalizes the vendor selection, amount, frequency, and duration of the regional center funded services identified on the IFSP and authorizes payment to the vendor for services provided. A vendor is a person who, or organization which, has completed the process required by statute and regulations to provide specific services (Welfare and Institutions Code [WIC] § 4648). All vendors are required to comply with fiscal, audit, and reporting regulations (CCR Title 17, §§ 50601-50612; 53390-54300; 56728; and 56760-56774). Infant Development Programs, for example, are required to maintain records including the dates of service, the location of services, the start and end dates of the service, and the daily or hourly units of service provided to the infant/toddler. These programs are also required to submit attendance records to support their billing invoice to the regional center (CCR Title 17, § 54326).

### Relationship of the IFSP and the POS Authorization

Although the IFSP sets forth the plan of services, the POS authorization is the contractual relationship between the regional center and the vendor that implements the IFSP for those services provided by the regional center. The family is not a party to the POS authorization. Nor is the IFSP the official service authorization document. Indeed, regional centers must obtain written consent from a parent before sharing the IFSP with a vendor.

The units of service on the POS authorization are often derived by taking the hourly, daily, or weekly amount of service listed on the IFSP and converting that to a monthly amount. This allows not only for flexibility in scheduling to accommodate a child's illness, emergency, or other family issues, but also allows for those months with more than four distinct weeks without having to change the POS authorization.

## **RESPONSE TO THE OFFICE OF THE INSPECTOR GENERAL (OIG) RECOMMENDATIONS**

1. *To ensure accountability and transparency of ARRA funds, DDS should require the regional centers to review supporting documentation for vendor service claims on a risk-based approach, to address the risk of overpayment due to errors, overstated service levels, unsupported claims, and expired authorizations.*

Department Response: The Department agrees with the OIG that all ARRA funds should be expended with accountability and transparency. The Department does not believe this finding represents a system-wide weakness in controls. The SCLARC practice of setting all IFSP expiration dates as June 30, which led to the high percentage of expired IFSPs at the time of the audit, is not the typical practice of other regional centers. To address this, SCLARC has adopted the typical practice of setting the expiration date as the child's birth date which should resolve the reported issue. Additionally, the high percentage of expired purchase orders was due to the volume of authorizations which expired June 30 and were then handled through a "roll-over" process that ensured continuity of services. Rollover is the process by which a regional center reauthorizes services that continue from one fiscal year to the next. Although rollover is not required by federal statute, continuity of services is a key feature of the Early Start program and rollover ensures this continuity. Although the Department does not believe the finding is systemic, the Department will immediately develop and issue a Program Advisory to all regional centers. This advisory will restate the Department's current expectations and regulations regarding internal control procedures in regional centers' review of supporting documentation for vendor service claims. The Program Advisory will affirm the following:

- a. IFSPs shall be current and signed by the parent. In the event that a parent does not return an IFSP or IFSP addendum in a timely manner, to meet federal requirement for timely services, the regional center may continue the needed services and document in the case file all attempts (by email, letter, or telephone) made to contact the parent.
  - b. POS authorizations shall be current and should be consistent with the services identified on the IFSP in scope and duration.
  - c. When selecting vendors to audit, the regional centers are expected to use a risk-based approach and select vendors and sample supporting documents on the highest-risk basis to address the risk of overpayment due to errors, overstated service levels, unsupported claims, and expired authorizations. The Department will use the same approach in its audits of Early Start vendors.
2. *Because payment is made by the regional centers based on vendor certification of services, DDS should require the regional centers to validate vendor certifications on a sample basis to ensure that services and service levels are substantiated and authorized.*

Department Response: The Department agrees with the OIG. The Department Vendor Audit Section conducts audits of vendors to ensure vendor services have sufficient and appropriate supporting documentation. In addition, the regional center conducts audits of its vendors. During these audits the regional center's payments to the vendor are reviewed. The Department will ensure its audit protocols require review of internal controls and other supporting documents to validate the vendor's certification of the type and amount of services provided. We will also verify that regional centers take similar actions pursuant to requirements in their contract with the Department to perform vendor audits (DDS Regional Center Contract, Article III, § 10). These audit reviews, coupled with the additional check and balance added to the Lanterman Act last year that requires regional centers to annually provide each consumer and his or her family a statement of services and supports the regional center purchased (WIC § 4648 [h]), will ensure services and service levels are substantiated.

3. *The DDS should require the regional centers to implement controls to ensure that correct rates are applied to all vendor payments. Furthermore, DDS should ensure that excessive payments made to the South Central vendor are fully recaptured, and that the plan for ARRA fund recapture is reported in its response to this draft.*

Department Response: The Department agrees with the OIG. To ensure there are no ARRA concerns, the Department will immediately remove from ARRA billing all claims from this vendor, and will work with the regional center to resolve the overpayment issue.

Additionally, the contract between the Department and the regional centers requires regional centers to apply the correct rate to all vendor payments (DDS Regional Center Contract, Article III, § 10). In the Program Advisory that the Department will issue to regional centers (referenced above in the response to issue number 1), the Department will provide internal control mechanisms by which a regional center can make certain the correct rate is applied to vendor payments.

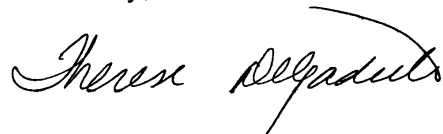
SCLARC and the Department will implement a plan to recapture all funds due to the application of an incorrect vendor rate which resulted in an overpayment to a SCLARC vendor. The Department has confirmed the overpayment issue is isolated to SCLARC and the vendor number was not being used by other regional centers. SCLARC has already corrected the rate and notified the vendor of the pending overpayment. SCLARC is calculating the amount of overpayment and this amount will be verified in consultation with the Department. Once the amount of overpayment is determined and verified, SCLARC, in consultation with the Department, will work with the vendor to establish a repayment schedule.

Ms. Laura N. Chick, California Inspector General  
August 13, 2010  
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DDS is committed to accountability, transparency and ensuring services are provided in a cost-effectiveness manner while balancing the fundamental program imperative of appropriate and timely consumer services. The Department takes seriously the issues raised in the draft report and will work with the OIG to resolve the concerns through implementation of the recommendations.

Thank you for the opportunity to provide input. Please contact either me or Mark Hutchinson, Chief Deputy Director, at (916) 654-1897, if you have any questions or concerns.

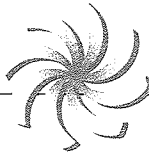
Sincerely,

A handwritten signature in black ink, appearing to read "Terri Delgadillo", with a stylized flourish at the end.

TERRI DELGADILLO  
Director

Enclosures: Response of Frank D. Lanterman Regional Center  
Response of South Central Los Angeles Regional Center

cc: Mark Hutchinson, Chief Deputy Director, DDS  
Diane Campbell-Anand, Executive Director, FDLRC  
Patrick Aulicino, Associate Director, FDLRC  
Dexter Henderson, Executive Director, SCLARC  
Roy Doronila, Chief Financial Officer, SCLARC



August 10, 2010

Ms. Laura N. Chick, Inspector General  
Office of the Inspector General  
1400 10<sup>th</sup> Street, Suite 100  
Sacramento, CA 95814

Re: Response to Specific Issues Attributed to Lanterman Regional Center in the OIG Audit of ARRA Funds

Dear Ms. Chick:

Thank you for the opportunity to respond to your August 2, 2010 draft review report for the Department of Developmental Services' use of American Recovery and Reinvestment Act (ARRA) funds. We have reviewed the findings that pertain to Lanterman Regional Center and have the following responses:

**Finding – Expired Parent Contracts:** We identified expired parent contracts in 48 percent of South Central and 7 percent of Lanterman files tested. Services provided to children, without documentation of parental consent, increases the risk of liability for both the state and the regional centers.

**FDLRC Response:** The expired Individualized Family Services Plans occurred because services were authorized in 6 month increments and reauthorized upon receipt of the required report from the service provider. Based on the report, services are typically reauthorized, requiring the family to sign off on an IFSP amendment. Families can be slow to return the amendment and in these circumstances the Center has continued the service rather than terminating the service on an interim basis, which would require a formal Notice of Action letter. From a human services perspective, it is in the best interest of the child and family not to interrupt services to the child.

We will address this finding by ensuring the IFSP and the POS authorization are the same and by continuing to note in the consumer case file all attempts to contact the parent for consent.

**Finding – Service and Payments in Excess of Authorized Vendor Services:** The number of services billed, at both South Central and Lanterman exceeded the number of services authorized in the parent contracts. Of the claims tested, 14 percent and 18 percent at South Central and Lanterman, respectively, included charges for additional vendor services that were not specified by the parent contract.

FDLRC Response: In the example cited for this Center, the IFSP recommended one hour sessions, twice a week, for the child. The POS authorization was for up to ten hours a month. The POS authorization was written to accommodate those months in which 5 weeks of service could be provided.

We will resolve this issue by having the service description in the IFSP and the purchase order be the same.

Should you have questions or require further clarification please do not hesitate to call me at 213-252-4900.

Sincerely,

A handwritten signature in black ink, reading "Diane Anand". The signature is written in a cursive, flowing style with a large initial "D".

Diane Anand  
Executive Director



**South Central Los Angeles  
Regional Center**  
*for persons with developmental disabilities, inc.*

**August 10, 2010**

**Ms. Laura N. Chick, Inspector General  
Office of the Inspector General (OIG)  
1400 10<sup>th</sup> Street, Suite 100  
Sacramento, CA 95814**

**RE: South Central LA Regional Center's Response to Audit Findings**

**Dear Ms. Chick:**

**Attached please find SCLARC's response to the draft report of your review of the American Recovery and Reinvestment Act Funds (ARRA) for the period of April 1, 2009 through April 29, 2010.**

**Please let us know if you have additional questions or need clarification on this matter.**

**Thank you,**

**Dexter A. Henderson  
Chief Executive Officer  
South Central LA Regional Center  
650 W. Adams Blvd. Ste. 400  
Los Angeles, CA 90007  
Ph. (213) 744-8412  
Fx. (213) 744-8494  
[dhenderson@sclarc.org](mailto:dhenderson@sclarc.org)**





South Central Los Angeles Regional Center  
Draft Response to the OIG Audit Findings/American Recovery Act Funds

1. Weakness in Controls to Ensure Appropriate Services and Expenditures.

Expired Parent Contracts

The finding refers to IFSP's that have a service end date of June 30, 2009 due to the year-end rollover process. These service plans should have been amended once the service renewed or were rolled over on July 1<sup>st</sup>. However, there were instances where some service plans were not updated and, as a result, the IFSP's did not match the purchase of service authorization (contract the provider). To avoid this situation in the future, effective immediately, all IFSPs requiring ongoing services will be written with a service date terminating on the 3<sup>rd</sup> birth date of the consumer. Likewise, service authorizations will be written with the same end dates to ensure consistency of the two documents.

Expired Purchase Order

Prior to a POS authorization, the regional center service coordinator will request POS for a infant or toddler. This POS request goes through an approval process prior to the services being authorized. The finding of expired Purchase Orders refers to POS requests, not a POS authorization which is the contractual agreement between the regional center and vendor. Not all POS requests are approved. If a POS request is approved, a POS authorization is issued. All POS requests have an end date. Those POS requests that resulted in an ongoing POS authorization were coded to end June 30<sup>th</sup> of the fiscal year and were 'rolled over' to the following fiscal year. During the rollover period, a report is produced for the Service Coordinators for the purpose of review and approval of services that are scheduled to be rolled over or reauthorized. The intent of the report was to replace the formal POS request to reauthorize the service. In order to address this issue, any ongoing POS requests will now go through the child's 3<sup>rd</sup> birthday.

## 2. Service and Payments in Excess of Authorized Vendor Services.

The finding refers to payments of services in a given month that ends mid week. There were instances where the total hours billed for the week exceeded the prescribed hours in the service plan (IFSP). This is allowed to give flexibility to our families and providers. It enables the family and the provider to make up for missed appointments due to illness, vacation or any other family emergency. To avoid any future inconsistency in the service plan and the POS authorization, we will change the description of the authorized units in the IFSP such that they match the number of units in the POS authorization.

## 3. Unsupported Service Claims (Service Provider/Vendor Records)

The finding refers to the service provider/vendor records that support consumer attendance. We have an agreement in place that requires our service providers to maintain adequate documentation of consumer attendance and that these records will be available for review by the regional center. After receiving the OIG Audit Findings regarding Vendor Records, South Central Los Angeles Regional Center QA Staff Members conducted audits of the six vendors that were visited by the OIG Audit Team.

On August 5<sup>th</sup> and 9<sup>th</sup>, 2010, our staff found that all vendors surveyed by the OIG Audit Team did in fact have attendance records, as statutorily required, that the vendors were readily able to show to our QA staff. In trying to identify the reasons why the vendors did not provide the records for the OIG Team, we found the following:

- a. In some instances, vendors didn't understand the terminology used by the OIG Audit Team when requesting records
- b. In another instance, the auditors were never shown the records by the vendor. The auditors went to the main office of the vendor where they only saw SCLARC's invoices with the attendance sheet. The auditors wanted to review the sign in sheets to validate the services, which was at the vendor's other site, and

- c. One vendor's program staff reported that the auditors did not review sign-in/sign-out sheets during the visit. The visit focused on the discrepancy between the IFSP and the POS authorization.

While we don't have the ability to review a larger sample of the documentation through the vendor audits, South Central Los Angeles Regional Center will modify our QA visit protocol to include a fiscal review component to ensure that our service providers are in compliance with Title 17 regulations.

#### 4. Incorrect Rate Payment to a Vendor.

The finding refers to an error in the rate of reimbursement. The provisional rate that was established at the regional center for this vendor was mistakenly based on a 1:1 staffing ratio instead of the 2:1 staffing ratio as intended in the program design. Subsequently, DDS established the permanent rate at the 2:1 ratio based on the program design that was submitted. This resulted in two different rates, the permanent rate being the lower and the correct rate. The problem was further exacerbated by the fact that the DDS letter was never received by either the service provider or the regional center. This resulted in the continued use of the erroneous rate which generated a large overpayment over several fiscal years. To prevent a similar situation from happening in the future, we will implement a tickler system that will track all temporary rates that are awaiting the permanent rate letter from DDS. A follow up will be pursued if the letter from DDS is not received after 60 days of issuance of the temporary rate.

The State of California, Office of the Inspector General (IG), American Recovery and Reinvestment Act Funds issued a draft review report to DDS on August 2, 2010. We received a response from the DDS, Frank D. Lanterman Regional Center, and South Central Los Angeles Regional Center on August 13, 2010.

The entities agreed with our review results and we appreciate their willingness to implement corrective actions.